



CENTURYLINK CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana

Financial Statements and Schedule

December 31, 2011

(With Independent Auditors' Reports Thereon)

CENTURYLINK CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana

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KPMG LLP
333 Texas Street, Suite 1900
Shreveport, LA 71101-3692

Independent Auditors' Report

The Honorable Members of the City Council
and the Honorable Lorenz "Lo" Walker, Mayor
City of Bossier City, Louisiana:

We have audited the accompanying financial statements of the CenturyLink Center Arena Fund, a special revenue fund of the City of Bossier City, Louisiana, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City of Bossier City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CenturyLink Center Arena Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1 to the financial statements, the financial statements present only the CenturyLink Center Arena Fund and do not purport to, and do not present fairly, the financial position of the City of Bossier City, Louisiana as of December 31, 2011 and the changes in its financial position or, where applicable, its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CenturyLink Center Arena Fund of the City of Bossier City, Louisiana as of December 31, 2011, and the changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2012 on our consideration of the CenturyLink Center Arena Fund of the City of Bossier City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis and the budgetary comparison schedule listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by U.S. generally accepted accounting principles who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

June 15, 2012

CENTURYLINK CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana
Management's Discussion and Analysis – Unaudited
December 31, 2011

We offer readers of the CenturyLink Center Arena Fund of the City of Bossier City's (Arena) financial statements this narrative overview and analysis of the financial activities of the Arena for the fiscal year ended December 31, 2011.

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the Arena's financial statements. The Arena's financial statements comprise two components: (1) fund financial statements and (2) notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Arena, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Arena is composed of a single governmental fund.

Financial Analysis of the Arena Fund

Governmental Fund

The focus of the Arena's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Arena's financing requirements. In particular, an unreserved fund balance may serve as a useful measure of the Arena's net resources available for spending at the end of the fiscal year.

The Arena has a fund deficit of \$(5,976), which consists of \$21,688 nonspendable for prepaid items and a balance of \$(27,664). The deficit will be funded through future operations and/or transfers from the City of Bossier. Of the Arena's assets totaling \$1,739,723, 70% is in cash. The fund deficit reflected an increase of \$255,308 in 2011 after the transfer of \$824,000 from the City of Bossier. Revenues and expenditures in 2011 remained consistent compared to 2010 due to a similar number of events held at the Arena.

	<u>2011</u>	<u>2010</u>
Assets	\$ 1,739,723	772,277
Liabilities	<u>1,745,699</u>	<u>1,033,561</u>
Fund balance	<u>\$ (5,976)</u>	<u>(261,284)</u>

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Management's Discussion and Analysis – Unaudited
December 31, 2011

Change in fund balance:

	<u>2011</u>	<u>2010</u>
Revenues	\$ 2,316,880	2,307,965
Expenditures	<u>2,885,572</u>	<u>2,885,425</u>
Deficiency of revenues under expenditures	(568,692)	(577,460)
Transfer in	<u>824,000</u>	<u>310,000</u>
Net change in fund balance	<u>\$ 255,308</u>	<u>(267,460)</u>

Budgetary Highlights

The budget policy of the City of Bossier City complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA-R.S. 39:1301 et seq.).

The original budget for the Arena was adopted on December 7, 2010. There were no amendments made in 2011.

Economic Factors and Next Year's Budgets and Rates

Over the past 18 months, we have noted attendance dropping due to the economy. This was the main factor considered while preparing the 2011 budget.

Requests for Information

This financial report is designed to provide a general overview of the Arena's finances for all those with an interest in the Arena's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Director of Finance of the City of Bossier City, P.O. Box 5337, Bossier City, Louisiana 71171, or by calling 318-741-8525.

CENTURYLINK CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana
Balance Sheet
December 31, 2011

Assets:		
Cash	\$	1,225,521
Accounts receivable		492,514
Prepaid items		21,688
Total assets	\$	<u>1,739,723</u>
Liabilities:		
Accounts payable	\$	349,524
Deferred revenue		342,685
Deposits		1,053,490
Total liabilities		<u>1,745,699</u>
Fund balance:		
Nonspendable		21,688
Committed		<u>(27,664)</u>
Total fund balance		<u>(5,976)</u>
Total liabilities and fund balance	\$	<u><u>1,739,723</u></u>

See accompanying notes to financial statements.

CENTURYLINK CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year ended December 31, 2011

Revenues:	
Direct event income	\$ 88,703
Ancillary income	865,402
Advertising	544,423
Luxury box income	687,166
Other income	131,186
	<hr/>
Total revenues	2,316,880
	<hr/>
Expenditures – culture and recreation:	
Executive	190,583
Finance	177,978
Operations	1,232,369
Marketing	162,733
Box office	100,138
Facility overhead	1,021,771
	<hr/>
Total expenditures	2,885,572
	<hr/>
Deficiency of revenues under expenditures	(568,692)
Other financing sources – transfers in	824,000
	<hr/>
Net change in fund balance	255,308
Fund balance, beginning of year	(261,284)
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Fund balance, end of year	\$ (5,976)
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See accompanying notes to financial statements.

CENTURYLINK CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana

Notes to Financial Statements

December 31, 2011

(1) Summary of Significant Accounting Policies

The CenturyLink Center Arena Fund of the City of Bossier City (the Arena) is a separate accounting entity of the City of Bossier City (the City). The fund was established to account for the operations of the 14,000-seat multipurpose arena constructed by the City. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The preparation of financial statements in conformity with government accounting standards requires management to classify the fund balances. For committed fund balance classification, the City Council must take formal action to establish, modify, or rescind a fund balance commitment. The nonspendable classification includes amounts that are not in spendable form or required to be maintained intact. The accounts of the Arena are reported as a Special Revenue Fund within the City's financial statements. The accompanying financial statements present only the CenturyLink Center Arena Fund and are not intended to present fairly the financial position of the City and the results of its operations, in conformity with accounting principles generally accepted in the United States of America.

(a) Basis of Presentation – Fund Accounting

Governmental fund financial statements are provided for the Arena. The Arena consists of only one governmental fund.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Arena considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Rental income for luxury box suites and events and advertising income are susceptible to accrual and are recognized when earned or when the underlying transaction occurs. In addition, when advances are received on rentals of luxury box suites and advertising agreements, the advances are recorded as deferred revenue and income recognized over the term of the agreements when earned. Ancillary income consists of revenues from concessions, merchandise, and other sales. Ancillary revenue is recognized at the time of sale. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability has incurred and has matured.

The operations of the Arena are incorporated into one special revenue fund. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through this fund.

All expenditures incurred in the operation of the Arena are accounted for in this fund, except capital assets and debt. All items of capital assets used by the Arena and bonds issued to fund the construction of the Arena are accounted for in the government-wide financial statements of the City.

Transfers are periodically received from the City to cover any revenue shortfalls. These transfers are made on an as-needed basis.

CENTURYLINK CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana

Notes to Financial Statements

December 31, 2011

(b) Accounts Receivable

Accounts receivable consist of amounts due from luxury box rentals, advertisers, and SMG Food and Beverage, LLC (note 3). Accounts receivable are presented net of any allowance. The allowance at December 31, 2011 was \$0, as all accounts were deemed collectible.

(c) Deferred Revenue

The balance of deferred revenue represents advances received by the Arena on rentals of luxury box suites and advertising agreements. Income is recognized over the term of the rental agreement when earned.

(d) Deposits

The balance of deposits represents advance ticket sales for events to be held at a future date. Income is recognized when the event is held. If an event is canceled, this amount is subject to refund.

(2) Cash

All cash deposits of the Arena are held by area financial institutions. At December 31, 2011, the carrying amount of the Arena's deposits was \$1,225,521, and the bank balance was \$1,246,935. The difference is due to outstanding checks and deposits in transit at December 31, 2011. The entire bank balance was either insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the pledging bank in the Arena's name at December 31, 2011.

(3) Related-Party Transactions

Management Fee

The City has contracted with Leisure Management International (LMI) to manage the operations of the Arena through December 31, 2011, with additional renewal periods. Management fees are \$150,000 annually, payable in 12 equal installments, adjusted each year for changes in the consumer price index. For the year ended December 31, 2011, the base fee totaled \$186,317, which is included in the accompanying financial statements as facility overhead. In addition to the base fees, the City has also agreed to pay additional fees based on the performance of the operations of the Arena.

Food and Beverage

LMI has contracted with SMG Food and Beverage, LLC to provide the food and beverage concessions and catering at the Arena. For these services, SMG Food and Beverage, LLC receives 4% of the gross revenues collected in connection with the services they perform. For the year ended December 31, 2011, the Arena paid SMG Food and Beverage, LLC a fee of \$61,088 for their services. Also, at December 31, 2011, the Arena had a receivable from SMG Food and Beverage, LLC of \$194,914. No additional fees were paid in 2011.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CENTURYLINK CENTER ARENA FUND
A Special Revenue Fund of the City of Bossier City, Louisiana

Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual

Year ended December 31, 2011
(unaudited)

	<u>Actual</u>	<u>Budget</u>	<u>Variance with budget positive (negative)</u>
Revenues:			
Direct event income	\$ 88,703	246,879	(158,176)
Ancillary income	865,402	1,236,598	(371,196)
Advertising	544,423	598,000	(53,577)
Luxury box income	687,166	558,000	129,166
Other income	131,186	222,170	(90,984)
Total revenues	<u>2,316,880</u>	<u>2,861,647</u>	<u>(544,767)</u>
Expenditures – current – culture and recreation:			
Executive	190,583	214,261	23,678
Finance	177,978	204,135	26,157
Operations	1,232,369	1,382,811	150,442
Marketing	162,733	181,472	18,739
Box office	100,138	135,119	34,981
Facility overhead	1,021,771	960,094	(61,677)
Total expenditures	<u>2,885,572</u>	<u>3,077,892</u>	<u>192,320</u>
Deficiency of revenues over (under) expenditures	(568,692)	(216,245)	(352,447)
Other financing sources:			
Transfers in	824,000	250,000	574,000
Net change in fund balance	255,308	33,755	221,553
Fund balance, beginning of year	(261,284)	(261,284)	—
Fund balance, end of year	<u>\$ (5,976)</u>	<u>(227,529)</u>	<u>221,553</u>

See accompanying independent auditors' report.

CENTURYLINK CENTER ARENA FUND
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Note to Budgetary Comparison Schedule

December 31, 2011

(Unaudited)

Budget and Budgetary Accounting

The City utilizes formal budgetary integration as a management control device for the Arena. The City adopted a budget for the Arena using the following procedures:

- (1) Prior to October 15, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) A public hearing is then conducted, after proper official journal notification, to obtain taxpayer comments.
- (3) Prior to December 15, the budget is legally enacted through passage of an ordinance.
- (4) The budget ordinance is structured such that revenues are budgeted by source, and appropriations are budgeted by department and by principal object of expenditure. The City Charter provides that expenditures may not legally exceed appropriations on a departmental basis, which is the same as the fund basis for the Arena, after considering fund surpluses or deficits. The City Council may revise or amend the budget at its discretion during legally convened sessions. Management may amend the budget only below the department level. The budget was not amended in 2011.
- (5) The basis of accounting applied to budgetary data presented is substantially consistent with the basis of accounting for the Arena. Appropriations that are not expended lapse at year-end, except appropriations for capital improvements, which do not lapse until the purpose of the appropriation has been accomplished or abandoned.

Excess of Expenditures over Budget

Actual expenditures did not exceed budgeted expenditures on a line-item basis except overhead. The variance in overhead is primarily related to higher utility expenditures than expected.



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**Report on Internal Control over Financial Reporting
and Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Lorenz "Lo" Walker, Mayor
and Members of the City Council
City of Bossier City, Louisiana:

We have audited the financial statements of the CenturyLink Center Arena Fund (the Arena), a special revenue fund of the City of Bossier City, Louisiana (the City) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 15, 2012. Our report was modified to include a paragraph stating that the Arena's financial statements do not purport to and do not present fairly the financial position of the City. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Arena's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Arena's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Arena's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Arena's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the mayor, city council, management, and the State of Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

June 15, 2012